



The President's Daily Brief

23 February 1973

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FOR THE PRESIDENT ONLY

THE PRESIDENT'S DAILY BRIEF

23 February 1973.

PRINCIPAL DEVELOPMENTS

The price of gold rose further yesterday, and general uncertainty produced some dollar weakening in Europe. (Page 1)

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It seems likely that the International Conference on Vietnam will ratify the accords in fairly short order and establish some mechanism to which supervisory teams can report. (Page 2)

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North Vietnam

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(Page 3)

Lao Government and Pathet Lao negotiators were scheduled to meet yesterday to consider cabinet composition and other aspects of the new government. Prime Minister Souvanna Phouma today accused the Communists of 29 serious cease-fire violations. (Page 4)

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Japan

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(Page 5)

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In the MBFR talks, there now appears to be only the slightest chance that the Soviets will agree to include Hungary in the reduction zone without also including Italy. (Page 6)

Two versions of Hafiz Ismail's visit to Moscow agree that its purpose was to signal no change in Egypt's basic position on a Middle East settlement. On coming to Washington, Ismail was to listen carefully to see whether a possibility exists "for beginning a process toward settlement." (Page 7)

The Organization of Petroleum Exporting Countries has agreed to Venezuela's request for a special meeting on 16 March to discuss the world energy crisis. (Page 8)

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Peking

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INTERNATIONAL MONETARY DEVELOPMENTS

The price of gold rose to over \$90 an ounce yesterday, an appreciation of over 31 percent from the pre-devaluation level. Profit-taking by speculators forced the price down to \$86.50 at the close of the day. Money managers, who are still uneasy about the future of the major currencies, have been buying gold as a hedging medium with the dollars obtained from divesting earlier speculative holdings.

The record price of gold apparently reflects strong speculator demand from Middle Eastern and Far Eastern interests and new rumors that Japan will ease restrictions on gold imports.

The general uncertainty also produced some dollar weakening in Europe yesterday. The mark rose from its floor to near its new dollar parity. There were no dollar sales by the Bundesbank for the first time in four days. In Switzerland, the Swiss franc closed at almost 18 percent above its old dollar parity, the greatest appreciation of any currency to date. No intervention was reported by the Swiss National Bank, which apparently is not inclined to take in any more unwanted dollars. Only in Tokyo did the dollar remain essentially unchanged.

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VIETNAM

Most of the 13 participants in the International Conference on Vietnam that convenes in Paris on 26 February want a short, largely pro forma session, and the past few weeks have seen a spate of diplomatic activity designed to develop a basis of agreement before the formal sessions begin. Disputes could still disrupt the proceedings, but it currently appears that the conference will ratify the accords in fairly short order and establish some mechanism to which supervisory teams can report.

The participants could most easily run into difficulties over the supervisory mechanism. The Vietnamese Communists clearly want responsibility for the maintenance of the accords to rest essentially with the four former belligerents with outside interference kept to a minimum. They have been especially firm in opposing participation by international bodies--a stand that explains their reluctance to see Waldheim named chairman of the conference.

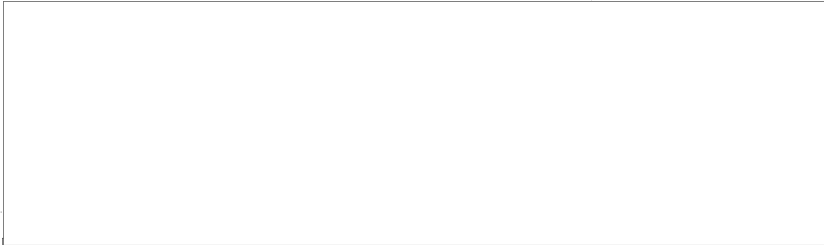
Although Moscow and Peking have echoed some of the Vietnamese Communist demands, their basic aims at the conference differ from those of their Vietnamese clients. Both want to defuse Vietnam as an important issue in big-power politics. Both seem to want a conference communiqué that expresses strong but general support for the accords, backed perhaps by private understandings to supplement arrangements for continuing supervision.

The Thieu government has been publicly reticent on the conference but has clearly implied that it wants more stringent guarantees against Communist encroachment than it seems likely to get. So far, however, the note of deep concern that surfaced in the official and semi-official press last fall has been absent from current output, suggesting that Thieu will be willing to live with conference results.

Participants other than the big powers and the Vietnamese parties seem likely to play a secondary role. Some of them--the French and Canadians--may perform useful service as go-betweens.

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VIETNAM



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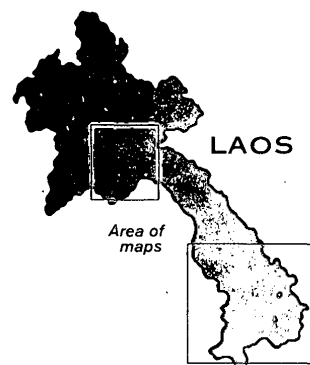


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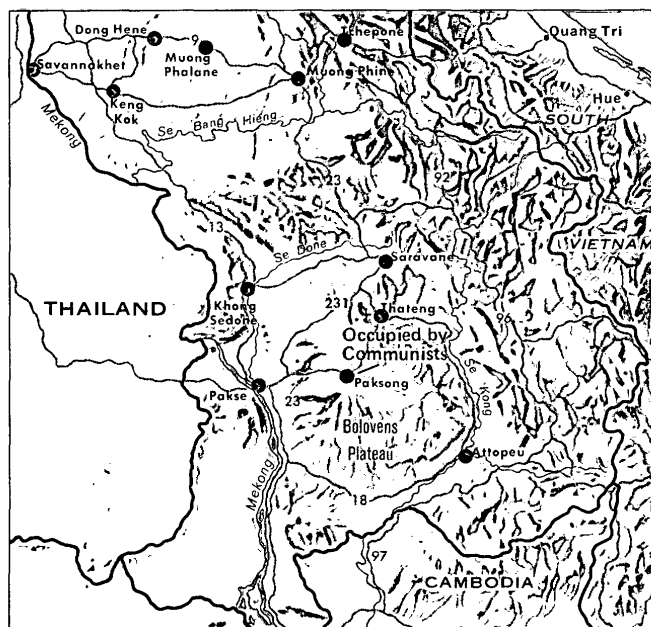


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LAOS

The two sides were scheduled to meet yesterday to start negotiations on cabinet composition and other aspects of the new government.

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Rightist tempers apparently have cooled since the stormy cabinet sessions immediately following the cease-fire announcement.

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there are no signs that these elements plan to challenge the accords.

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At a press conference today, Souvanna accused the Communists of 29 serious cease-fire violations and claimed that he would seek renewed US air support if the violations continue.

One government battalion is still holding high ground east of Paksong which was captured by the Communists yesterday shortly after the cease-fire went into effect.

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Communist units yesterday also dispersed one government battalion west of Saravane and another north of Khong Sedone.

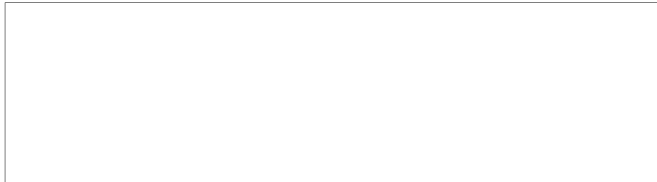
In the north, irregular positions just west of the Plaine des Jarres have been subjected to heavy artillery attack

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Shellings and ground assaults are reported this morning in the area of Sala Phou Khoun. Small-scale shellings have also been reported at Long Tieng in the north and near Thakhek in the central panhandle.

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JAPAN



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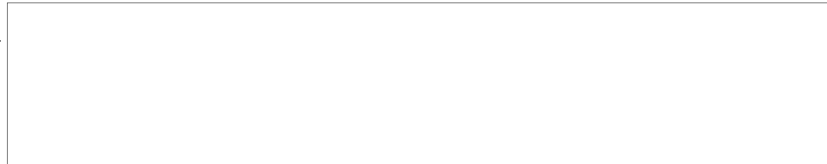
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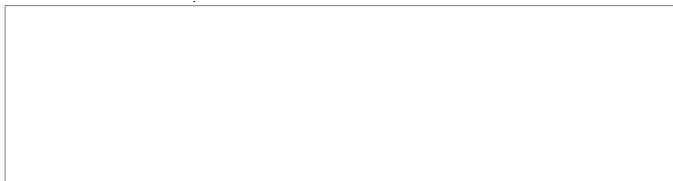
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MBFR

The Soviets and Hungarians have refused to budge on the question of Hungary's status in the talks. The allied position, designed to provide the Soviets with a way to back down if they so desired, was presented on Wednesday by the US and Dutch representatives in Vienna. The Dutch spokesman--to the dismay of the Soviets--went beyond the agreed NATO instruction to comment that the Western interest in Hungary's participation was stronger with respect to "related agreements" than to force reductions.

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The comment reflected recent Dutch efforts in NATO to gain assurance that if Hungary is excluded from the reduction zone--as the Soviets wish--it will be included in a broader constraints area. Such inclusion is intended to deter the USSR from augmenting its forces in Hungary while reducing them elsewhere.

The Hungarian described the position as "old wine in new bottles." The Soviet delegate told the US representative that the authorities in Moscow were "highly excited and worked up" over Western obduracy on the Hungarian issue. He added that the Dutch reference to "related agreements" would "send them through the roof."

There now appears to be only the slightest chance that the Soviets will agree to include Hungary in the reduction zone without also including Italy. The deadlock will increase support in NATO, particularly among the flank states, for the US proposal to leave the status of Hungary in abeyance in order to get the meeting started. Many allies still feel, however, that there is no urgent need to compromise. The British in particular wish to continue a leisurely pace.

The caution of some NATO allies reflects in large part their belief that the US proposal is only the first step toward accepting Hungary's exclusion from the initial reduction zone. They may in the end agree to this, but not until they are convinced that there is no flexibility in the Soviet position.

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EGYPT

Our embassy in Moscow has provided two versions of Hafiz Ismail's recent visit to Moscow. One version comes from Yevgeniy Pyrlin, a counsellor on Middle Eastern affairs in the Foreign Ministry. The other comes from the second secretary of the Egyptian Embassy in Moscow, who said he was briefed by Ismail.

Both sources agree that Ismail visited Moscow to signal that there was no change in Egypt's basic position on a Middle East settlement. The second secretary said the visit was also to inform the Soviets of Ismail's intention to visit Washington. Pyrlin claimed that Ismail continued to reject all plans for a partial settlement not clearly linked to an overall solution; the second secretary said the Soviets advised Ismail that this was their position as well.

Pyrlin said Egypt demands that Israel ultimately withdraw from all Egyptian territory and insists that there be no change in Egyptian or Syrian borders. Egypt could tolerate, however, modification of the Israeli-Jordanian frontier. The second secretary did not comment on these points.

Both agreed that Egypt does not require sovereignty over the Gaza Strip and would accept the results of an internationally supervised plebiscite in Gaza after the Israelis withdraw. They also agreed that Egypt could accept international control over Sharm ash-Shaykh, but the Egyptian said his country "definitely" could not tolerate Israeli participation in such control, while Pyrlin said Ismail was "unclear" on Egypt's attitude on this subject.

Pyrlin's version dovetails with the Egyptian's statement that Ismail is coming to Washington to discuss details of the US proposal for an interim canal settlement. Ismail is under instruction from Sadat to listen carefully to see if a possibility exists "for beginning a process toward settlement." Any canal opening arrangement must include "some kind of Egyptian military presence" on the east bank.

Both Pyrlin and the Egyptian went out of their way to say that the omission of Jarring's mission from the communiqué issued after Ismail's visit did not mean they had lost interest in it. The Soviet said his government wants to reactivate Jarring; the Egyptian said the omission was a "grievous oversight."

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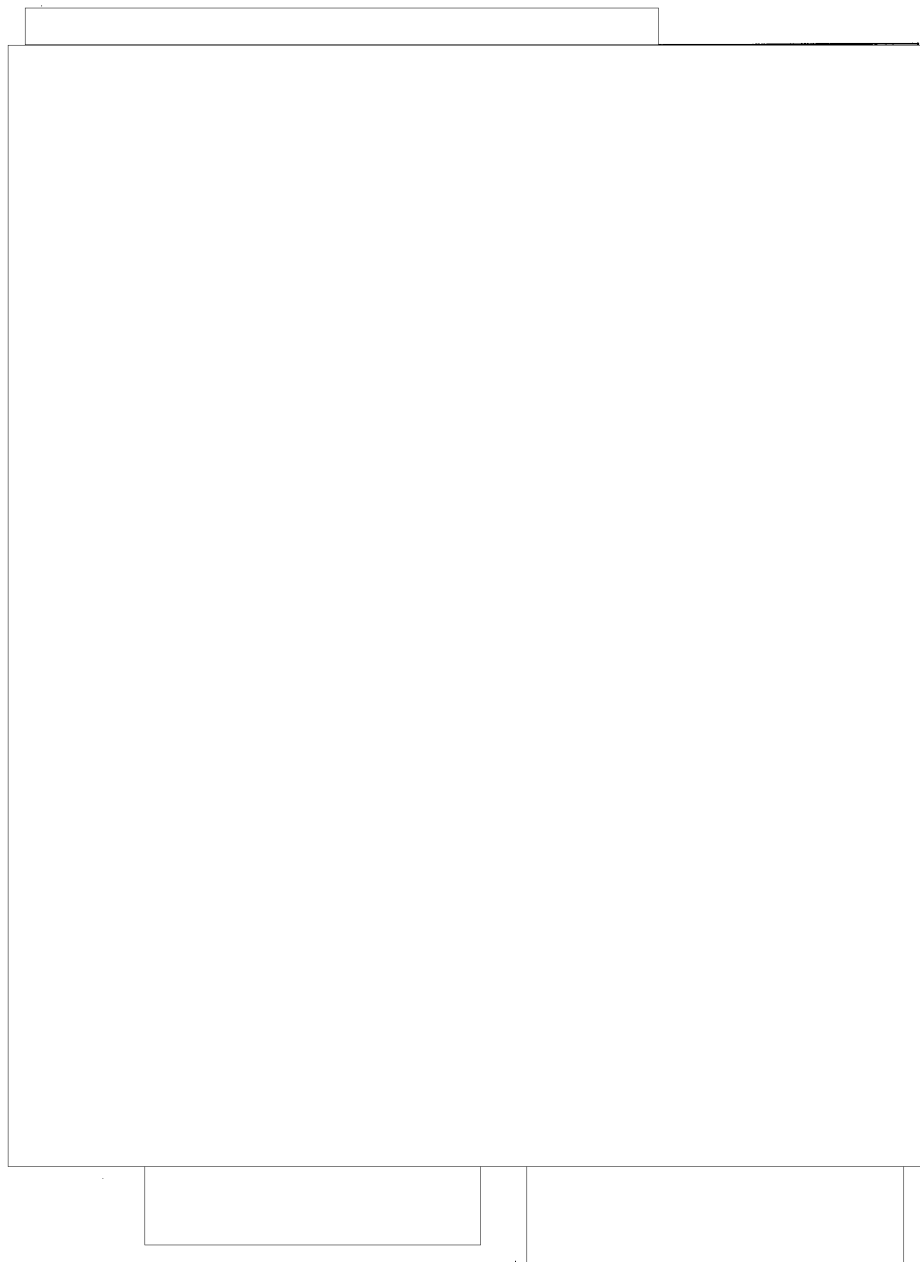
VENEZUELA-OPEC

The Organization of Petroleum Exporting Countries has agreed to Venezuela's request for a special meeting to discuss the world energy crisis. The meeting is scheduled to open on 16 March.

Venezuelan officials have so far been vague on the proposals they intend to make. We expect them to seek agreement on raising the price of oil. Also, Venezuela's petroleum minister has privately intimated that Venezuela may seek other ways for the producing countries to get a better deal from the consuming nations. This suggests that Caracas may resume pressure for a conference involving major oil consumers and suppliers.

President Caldera is also looking into other possibilities.

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CHINA



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